

TOWNSHIP OF ONTWA
Cass County, Michigan

~~GENERAL PURPOSE~~ FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

✓ AUG - 6 2004
Year Ended March 31, 2004

LOCAL AUDIT & FINANCE DIV.

14-1090

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Ontwa	County Cass
Audit Date March 31, 2004	Opinion Date July 9, 2004	Date Accountant Report Submitted to State: July 9, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government promulgated by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF ONTWA
Cass County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 9, 2004

To the Township Board
Township of Ontwa
Cass County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Ontwa, Cass County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Ontwa's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Ontwa, Cass County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Ontwa, Cass County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF ONTWA
Cass County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	100 978 34	38 588 87	4 596 539 57	-
Investments	35 054 15	-	-	-
Taxes receivable	46 601 39	-	-	-
Due from other funds	651 212 91	-	122 672 41	-
Land and improvements	-	-	-	7 350 00
Buildings and improvements	-	-	-	443 157 58
Office furniture and fixtures	-	-	-	22 197 26
Equipment	-	-	-	106 291 53
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total Assets	<u>833 846 79</u>	<u>38 588 87</u>	<u>4 719 211 98</u>	<u>578 996 37</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	567 563 58	-	-	-
Due to other funds	-	-	773 885 32	-
Due to others	-	-	3 945 326 66	-
Note payable	-	-	-	-
Total liabilities	<u>567 563 58</u>	<u>-</u>	<u>4 719 211 98</u>	<u>-</u>
Fund equity:				
Investments in general fixed assets	-	-	-	578 996 37
Fund balances:				
Unreserved:				
Undesignated	<u>266 283 21</u>	<u>38 588 87</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>266 283 21</u>	<u>38 588 87</u>	<u>-</u>	<u>578 996 37</u>
Total Liabilities and Fund Equity	<u>833 846 79</u>	<u>38 588 87</u>	<u>4 719 211 98</u>	<u>578 996 37</u>

The accompanying notes are an integral part of these financial statements.

<u>Groups</u>	<u>Total</u>
<u>General Long</u>	<u>(Memorandum</u>
<u>Term Debt</u>	<u>Only)</u>

-	4 736 106 78
-	35 054 15
-	46 601 39
-	773 885 32
-	7 350 00
-	443 157 58
-	22 197 26
-	106 291 53

<u>26 371 99</u>	<u>26 371 99</u>
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<u><u>26 371 99</u></u>	<u><u>6 197 016 00</u></u>
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-	567 563 58
-	773 885 32
-	3 945 326 66
<u>26 371 99</u>	<u>26 371 99</u>
<u>26 371 99</u>	<u>5 313 147 55</u>

-	578 996 37
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<u>-</u>	<u>304 872 08</u>
<u>-</u>	<u>883 868 45</u>

<u><u>26 371 99</u></u>	<u><u>6 197 016 00</u></u>
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TOWNSHIP OF ONTWA
Cass County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	696 675 61	-	696 675 61
Licenses and permits	12 577 03	80 845 80	93 422 83
State revenue sharing	349 688 11	-	349 688 11
Charges for services	4 151 55	-	4 151 55
Interest	1 840 82	133 41	1 974 23
Miscellaneous	12 635 86	2 984 00	15 619 86
Total revenues	<u>1 077 568 98</u>	<u>83 963 21</u>	<u>1 161 532 19</u>
Expenditures:			
Legislative:			
Township Board	48 891 94	-	48 891 94
General government:			
Supervisor	52 397 95	-	52 397 95
Elections	954 57	-	954 57
Assessor	22 158 99	-	22 158 99
Clerk	19 606 35	-	19 606 35
Board of Review	2 478 61	-	2 478 61
Treasurer	20 326 35	-	20 326 35
Building and grounds	15 719 16	-	15 719 16
Cemetery	1 000 00	-	1 000 00
Public safety:			
Police protection	461 078 28	-	461 078 28
Fire protection	141 890 90	-	141 890 90
Planning Commission	6 087 16	-	6 087 16
Protective inspection	-	69 240 68	69 240 68
Public works:			
Street maintenance	92 649 44	-	92 649 44
Street lighting	6 160 25	-	6 160 25
Sanitation	7 340 62	-	7 340 62
Health and welfare:			
Ambulance	142 010 89	-	142 010 89
Culture and recreation:			
Parks	2 309 00	-	2 309 00
Capital outlay	813 36	7 453 95	8 267 31
Debt service	<u>37 683 00</u>	<u>-</u>	<u>37 683 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ONTWA
Cass County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Total expenditures	<u>1 081 556 82</u>	<u>76 694 63</u>	<u>1 158 251 45</u>
Excess (deficiency) of revenues over expenditures	(3 987 84)	7 268 58	3 280 74
Fund balances, April 1	<u>270 271 05</u>	<u>31 320 29</u>	<u>301 591 34</u>
Fund Balances, March 31	<u>266 283 21</u>	<u>38 588 87</u>	<u>304 872 08</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ONTWA
Cass County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C

Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	664 881 69	696 675 61	31 793 92
Licenses and permits	11 000 00	12 577 03	1 577 03
State revenue sharing	304 700 00	349 688 11	44 988 11
Charges for services	3 580 00	4 151 55	571 55
Interest	2 800 00	1 840 82	(959 18)
Miscellaneous	12 800 00	12 635 86	(164 14)
Total revenues	999 761 69	1 077 568 98	77 807 29
Expenditures:			
Legislative:			
Township Board	52 300 00	48 891 94	(3 408 06)
General government:			
Supervisor	66 260 00	52 397 95	(13 862 05)
Elections	5 500 00	954 57	(4 545 43)
Assessor	23 000 00	22 158 99	(841 01)
Clerk	21 000 00	19 606 35	(1 393 65)
Board of Review	3 100 00	2 478 61	(621 39)
Treasurer	18 900 00	20 326 35	1 426 35
Building and grounds	16 300 00	15 719 16	(580 84)
Cemetery	1 000 00	1 000 00	-
Public safety:			
Police protection	437 969 54	461 078 28	23 108 74
Fire protection	135 414 77	141 890 90	6 476 13
Zoning Board of Appeals	-	-	-
Planning Commission	14 750 00	6 087 16	(8 662 84)
Protective inspection	-	-	-
Public works:			
Street maintenance	92 650 00	92 649 44	(56)
Street lighting	6 000 00	6 160 25	160 25
Sanitation	7 000 00	7 340 62	340 62
Health and welfare:			
Ambulance	135 654 77	142 010 89	6 356 12
Culture and recreation:			
Parks and recreation	9 500 00	2 309 00	(7 191 00)

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
73 300 00	80 845 80	7 545 80
-	-	-
500 00	133 41	(366 59)
<u>1 200 00</u>	<u>2 984 00</u>	<u>1 784 00</u>
<u>75 000 00</u>	<u>83 963 21</u>	<u>8 963 21</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
73 900 00	69 240 68	(4 659 32)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

TOWNSHIP OF ONTWA
Cass County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued):			
Contingency	21 779 61	-	(21 779 61)
Capital outlay	8 000 00	813 36	(7 186 64)
Debt service	<u>37 683 00</u>	<u>37 683 00</u>	<u>-</u>
Total expenditures	<u>1 113 761 69</u>	<u>1 081 556 82</u>	<u>(32 204 87)</u>
Excess (deficiency) of revenues over expenditures	(114 000 00)	(3 987 84)	110 012 16
Fund balances, April 1	<u>114 000 00</u>	<u>270 271 05</u>	<u>156 271 05</u>
Fund Balances, March 31	<u>-</u>	<u>266 283 21</u>	<u>266 283 21</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
24 264 31	-	(24 264 31)
7 500 00	7 453 95	(46 05)
<u>-</u>	<u>-</u>	<u>-</u>
<u>105 664 31</u>	<u>76 694 63</u>	<u>(28 969 68)</u>
(30 664 31)	7 268 58	37 932 89
<u>30 664 31</u>	<u>31 320 29</u>	<u>655 98</u>
<u>-</u>	<u>38 588 87</u>	<u>38 588 87</u>

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ontwa, Cass County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ontwa. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Ventures

The Township is a member of the Ontwa Township – Edwardsburg Police Department and the Edwardsburg Ambulance Service. The Township appoints two members to each joint venture's governing board, which then approves the annual budgets. Financial information of the joint ventures may be obtained from them in Edwardsburg, Michigan.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fiduciary Funds

These funds are used to account for assets held as an agent for others.

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 4.6483 mills, and the taxable value was \$149,087,875.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>4 736 106 78</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>4 639 669 47</u>
Total Deposits	<u>4 739 669 47</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>35 054 15</u>
Total Investments				<u>35 054 15</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	7 350 00	-	-	7 350 00
Building and improvements	443 157 58	-	-	443 157 58
Office furniture and fixtures	21 383 90	813 36	-	22 197 26
Equipment	<u>98 837 58</u>	<u>7 453 95</u>	<u>-</u>	<u>106 291 53</u>
Totals	<u>570 729 06</u>	<u>8 267 31</u>	<u>-</u>	<u>578 996 37</u>

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Sewer	122 672 41	Current Tax Collection	122 672 41
General	<u>651 212 91</u>	Current Tax Collection	<u>651 212 91</u>
Total	<u>773 885 32</u>	Total	<u>773 885 32</u>

Note 5 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Note Payable – Building	<u>61 351 03</u>	<u>-</u>	<u>34 979 04</u>	<u>26 371 99</u>

Note 6 – Note Payable – Building

On May 15, 1998, the Township obtained a loan from Shoreline Bank in the amount of \$290,000.00 to aid in the purchase of a new Township Hall. The note requires 120 monthly payments in the amount of \$3,140.25. The monthly payments include principal and interest at the rate of 5.37% per annum. As of March 31, 2004, the note payable had an outstanding principal balance of \$26,371.99.

Note 7 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 – Pension Plan

The Township does not have a pension plan.

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF ONTWA
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 10 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$80,845.80 and building permit expenses of \$69,240.68.

Note 11 – Budget Variances

During the fiscal year ended March 31, 2004, expenditures exceeded budgeted amounts in several categories as follows:

<u>Activity</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund:			
Treasurer	18 900 00	20 326 35	1 426 35
Police protection	437 969 54	461 078 28	23 108 74
Fire protection	135 414 77	141 890 90	6 476 13
Street lighting	6 000 00	6 160 25	160 25
Sanitation	7 000 00	7 340 62	340 62
Ambulance	135 654 77	142 010 89	6 356 12

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF ONTWA
Cass County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:

Wages	4 800 00
Payroll tax	6 128 82
Audit	3 000 00
Legal	1 668 97
Fringe benefits	11 003 91
Insurance	14 591 00
Miscellaneous	7 699 24
	<u>48 891 94</u>

Supervisor:

Salary	13 359 96
Clerical wages	20 195 00
Office supplies	2 957 66
Postage	3 345 33
Communications	2 694 54
Transportation	1 800 00
Membership and dues	2 996 82
Repairs and maintenance	1 113 95
Miscellaneous	3 934 69
	<u>52 397 95</u>

Elections:

Miscellaneous	<u>954 57</u>
---------------	---------------

Assessor:

Salary	15 000 00
Computer services	6 975 00
Contracted services	150 00
Supplies	33 99
	<u>22 158 99</u>

Clerk:

Salary	15 000 00
Deputy	1 906 40
Office supplies	899 95
Transportation	1 800 00
	<u>19 606 35</u>

Board of Review:

Wages	2 170 00
Miscellaneous	308 61
	<u>2 478 61</u>

TOWNSHIP OF ONTWA
Cass County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
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Treasurer:	
Salary	15 999 96
Deputy	1 571 25
Transportation	1 800 00
Supplies	955 14
	<u>20 326 35</u>
Building and grounds:	
Supplies	4 782 09
Utilities	8 557 90
Repairs and maintenance	2 379 17
	<u>15 719 16</u>
Cemetery	<u>1 000 00</u>
Police protection:	
Contracted services	440 781 79
Miscellaneous	20 296 49
	<u>461 078 28</u>
Fire protection:	
Contracted services	<u>141 890 90</u>
Planning Commission:	
Wages	3 800 00
Miscellaneous	2 287 16
	<u>6 087 16</u>
Street maintenance	<u>92 649 44</u>
Street lighting	<u>6 160 25</u>
Sanitation:	
Contracted services	<u>7 340 62</u>
Ambulance:	
Contracted services	<u>142 010 89</u>
Parks	<u>2 309 00</u>
Capital outlay	<u>813 36</u>
Debt service	<u>37 683 00</u>
Total Expenditures	<u>1 081 556 82</u>

TOWNSHIP OF ONTWA
Cass County, Michigan

STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – ALL AGENCY FUNDS
Year Ended March 31, 2004

EXHIBIT E

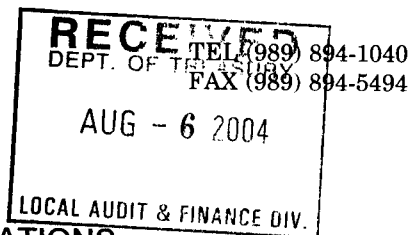
	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>2 738 40</u>	<u>4 152 676 62</u>	<u>2 065 518 45</u>	<u>2 089 896 57</u>
<u>Liabilities</u>				
Due to other funds	1 980 90	931 648 44	159 744 02	773 885 32
Due to others	<u>757 50</u>	<u>3 221 028 18</u>	<u>1 905 774 43</u>	<u>1 316 011 25</u>
Total Liabilities	<u>2 738 40</u>	<u>4 152 676 62</u>	<u>2 065 518 45</u>	<u>2 089 896 57</u>
<u>SEWER FUND</u>				
<u>Assets</u>				
Cash in bank	2 112 435 39	1 285 518 34	891 310 73	2 506 643 00
Due from other funds	-	<u>122 672 41</u>	-	<u>122 672 41</u>
Total Assets	<u>2 112 435 39</u>	<u>1 408 190 75</u>	<u>891 310 73</u>	<u>2 629 315 41</u>
<u>Liabilities</u>				
Due to Others	<u>2 112 435 39</u>	<u>1 408 190 75</u>	<u>891 310 73</u>	<u>2 629 315 41</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	2 115 173 79	5 438 194 96	2 956 929 18	4 596 539 57
Due from other funds	-	<u>122 672 41</u>	-	<u>122 672 41</u>
Total Assets	<u>2 115 173 79</u>	<u>5 560 867 37</u>	<u>2 956 929 18</u>	<u>4 719 211 98</u>
<u>Liabilities</u>				
Due to other funds	1 980 90	931 648 44	159 744 02	773 885 32
Due to others	<u>2 113 192 89</u>	<u>4 629 218 93</u>	<u>2 797 085 16</u>	<u>3 945 326 66</u>
Total Liabilities	<u>2 115 173 79</u>	<u>5 560 867 37</u>	<u>2 956 829 18</u>	<u>4 719 211 98</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707



AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 9, 2004

To the Township Board
Township of Ontwa
Cass County, Michigan

We have audited the financial statements of the Township of Ontwa, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Ontwa in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Ontwa
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For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Ontwa will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions

To the Township Board
Township of Ontwa
Cass County, Michigan

GASB 34 IMPLEMENTATION (continued)

should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

BUDGET VARIANCES

During the fiscal year ended March 31, 2004, expenditures exceeded budgeted amounts in several categories. We recommend that the budget be amended to comply with state law.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants